

STATEMENT OF SENATOR JOHN McCAIN  
CHAIRMAN, SENATE COMMITTEE ON  
COMMERCE, SCIENCE, AND TRANSPORTATION  
FULL COMMITTEE HEARING  
ON REAUTHORIZATION OF THE U.S. MARITIME ADMINISTRATION  
MAY 16, 2000

- C Today the Committee meets in order to fulfill its oversight role of the U.S. Maritime Administration (MARAD). As MARAD celebrates its 50th year, I want thank all MARAD employees, past and present for the dedication to our nation's merchant marines. Today we will hear testimony from three witnesses on MARAD's past performance as well as issues facing its future.
- C Our nation's maritime operations face many challenges in the world economy. While much of U.S. business and industry has had to make adjustments to adapt to new global markets, such is not the case with the maritime industry. Maritime transportation has always, by its nature, operated in a world market. That is not to say that the U.S. maritime industry is not facing changes.
- C On the contrary, one just has to look at the number of mergers and sales of U.S. carriers over the last three years to know the industry is undergoing great change, which raises many important questions -- Why have these companies been sold or merged? -- Does the sale of the companies, in many cases to foreign ownership, impact our national security or our national commerce? -- and most importantly, -- Is our overall national policy on maritime issues and the many associated programs effective in insuring that our nation has a healthy and innovative merchant fleet that is able and available to meet our national security and commerce needs.
- C I am increasingly concerned that U.S. maritime interests rely too much on government programs that create an environment of dependence and do not foster investment and risk taking, and on government regulations that protect them from real economic competition.
- C I am aware that MARAD has revised its methodology in reporting maritime ship statistics, thereby increasing the U.S. fleet from 280 in 1998 to over 37,000 in 1999. But I am not convinced that these larger numbers, which represent a wider range of commercial vessels in both the domestic and international trade, actually present a clear picture of our merchant fleet's viability to meet the needs of national defense and commercial base.

- C Additionally, with the expiration of the Military Security Program (MSP) a few years away, it is time to begin to examine the merits of the program and look for ways to improve it. I believe that as part of this review, we should take a serious look at overall reform of our maritime policy with the goal of formulating a policy that will allow our merchant marine industry to grow and prosper in today's market.
- C I look forward to hearing from all our witnesses on the status of the U.S. fleet and specifically from Admiral Holder on his concerns regarding fleet size and the manning of vessels in the Ready Reserve Fleet (RRF).
- C Additionally, I am very interested in hearing from Mr. Hart on two issues raised in the Administration proposal for reauthorization. The Administration proposal requests a temporary elimination of the three-year period bulk or breakbulk vessels newly registered under the U.S.-flag must wait in order to carry government-impelled cargo.
- C This request is almost identical to a measure passed by the Committee as part of last year's reauthorization. While in general I do not support cargo preferences because of the high costs associated with such programs I hope that agreement could be reached on needed reform in this area.
- C Current Cargo Preference laws require that 75% percent of U.S. government food aid to foreign countries be shipped on U.S.-flag vessels. Because of this requirement and a lack of drybulk vessels under the U.S.-flag, government agencies have been forced to use less efficient and more costly vessels to ship food aid. According to a recent analysis performed by the Maritime Administration, if just six new bulk ships had been available last year, U.S. taxpayers could have saved approximately \$41 million in transportation of government food aid. I hope that Mr. Hart will be able to provide further explanation of why this is important not only to taxpayers wallets, but also to the health of our fleet.
- C The Administration has also requested an extension in the statutory deadline for disposal of obsolete vessels in the National Defense Reserve Fleet (NDRF). As noted by the DOT Inspector General in a report issued last month, MARAD has scrapped only five vessels since 1995 and currently has 115 vessels awaiting action. Of those 115 vessels, the IG reports that 41 are both an environmental hazard and navigational hazard to the waters in which they are now moored. Further extensions that allow these vessels to remain a threat to our waters must be justified.
- C MARAD's inaction in addressing this problem in a timely manor is inexcusable. I hope that Mr. Hart and Mr. DeCarli both will be able to provide some insight into the difficulties MARAD has faced and offer recommendations on how they be addressed.

- C I am also looking forward to hearing from our witnesses on MARAD's oversight of the Title XI loan guarantee for the revitalization of Four River Shipyard in Quincy, Massachusetts. As I pointed out in a hearing two weeks ago on the Big Dig, I am very concerned that the Department of Transportation is providing poor oversight of how federal funds are being spent on this project.
- C I understand that the Department of Justice continues to investigate certain aspects of the project for possible criminal activity and that the U.S. Attorney in Boston has convened a grand jury to hear testimony on criminal activity. Until these investigations are completed, I believe that it may not be possible to get a complete picture of what went wrong on the project and how to prevent further loss of taxpayer funds so it may be necessary to hold additional hearings. However, I would hope our witnesses will shed light on this matter.
- C As it stands today, U.S. taxpayers have paid out over \$50 million for this project. Yet despite that fact, MARAD does not have complete control of the yard due to the bankruptcy filing of the project operator, Massachusetts Heavy Industry, and MARAD does not have the cooperation of state and local agencies in their efforts to have the filing set aside so they can proceed with foreclosure of the project. This Committee needs an explanation for what has occurred at the Quincy shipyard.
- C Again, I look forward to hearing from all of today's witnesses and am eager to hear their views on how MARAD is operating and what we can do to insure they continue to support our nation's maritime industry.